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THE ASSOCIATED PRESS/BENTONVILLE, ARK.

By MARCUS KABEL

Associated Press Writer

Wal-Mart's organics could shake up retail

MAR. 24 9:25 P.M. ET Wal-Mart Stores Inc. is throwing its weight behind organic products, a move that experts say could have the same lasting effect on environmental practices that Wal-Mart has had on prices by forcing suppliers and competitors to keep up.

Putting new items on the shelf this year, from organic cotton baby clothes to ocean fish caught in ways that don't harm the environment, is part of a broader green policy launched last year to meet consumer demand, cut costs for things like energy and packaging and burnish a battered reputation.

Organic products are one lure for the more affluent shoppers Wal-Mart is trying to woo away from rivals like Target Corp., said Alice Peterson, president of Chicago-based consultancy Syrus Global.

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A new Supercenter that opened this week in the Dallas suburb of Plano features over 400 organic foods as part of an experiment to see what kinds of products and interior decor can grab the interest of upscale shoppers.

"Like many big companies, they have figured out it is just good marketing and good reputation building to be in favor of things that Americans are increasingly interested in," Peterson said.

Wal-Mart's Lee Scott is not the first chief executive to advocate sustainability, a term for the corporate ethos of doing business in a way that benefits the environment. Industrial giant General Electric Co., for example, last year launched a program called "Ecomagination" to bring green technologies like wind power to market.

What makes Wal-Mart's efforts unique, sustainability experts say, is the retailer's sheer size and the power that gives it in relations with suppliers. Wal-Mart works closely with suppliers to shape their goods, if they want them on the shelves of Wal-Mart's nearly 4,000 U.S. stores and over 2,200 internationally.

"They have huge potential because it's not just Wal-Mart we're talking about, it's their entire supply chain," said Jeff Erikson, U.S. director of London-based consultancy and research group SustainAbility. The group says it does not do any consulting work for Wal-Mart.

Erikson said Wal-Mart could bring the same pressure it has exerted over the years on prices and apply that to pushing manufacturers and competitors to adopt more sustainable business practices and larger organic offerings.

"We love to see companies like Wal-Mart taking a big step and making pronouncements as they have, because their tentacles are so large," Erikson said.

Wal-Mart plans to double its organic grocery offerings in the next month and continue looking for more products to offer in areas such as grocery, apparel, paper and electronics.

Stephen Quinn, vice president of marketing, told an analysts' conference this month that Wal-Mart would have 400 organic food items in stores this summer "at the Wal-Mart price."

Some Wal-Mart critics call the effort just a public relations job. But others say Wal-Mart could make a real difference if the retailer brings a critical mass of organic products to market and pushes enough suppliers to adopt green practices.

Sierra Club executive director Carl Pope, who is a board member of the union-backed group Wal-Mart Watch that criticizes the retailer, said it is too soon to tell if Wal-Mart will deliver but that the impact could be good for the environment.

"I think the direction they've said is a positive direction. The question is, 'Are they are going to go there strongly enough?'" Pope said.

Some of the new items will be seafood caught in the wild. Wal-Mart last month announced a plan to have all its wild-caught fish, which accounts for about a third of seafood sales, certified by the Marine Stewardship Council as caught in a sustainable way.

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The London-based MSC, founded in 1997 as a venture of the conservation group World Wildlife Fund and global consumer products company Unilever, issues the certificates to let consumers know which fisheries avoid overfishing and use methods that don't damage the ocean environment.

Sustainability experts say what makes this program interesting is that Wal-Mart will work with its suppliers to get more fisheries around the globe certified by MSC, instead of just buying up the existing stock of certified fish.

Wal-Mart says this means there will be more sustainable fish that will also be available to Wal-Mart's competitors, such as Whole Foods Market, which already sells about 18 MSC certified items, according to the MSC Web site. Wal-Mart plans to offer between 200 and 250 items.

The way Wal-Mart hatched the fish plan is typical of how it operates.

Peter Redmond, vice president and divisional merchandise manager in charge of deli and seafood, said he conceived the idea after meeting MSC board chairman Will Martin last fall. Wal-Mart and MSC worked out details and then Wal-Mart called in its 25 to 30 fish wholesalers in January to tell them it was switching to MSC certified seafood.

Wal-Mart developed a plan to work with its suppliers to encourage fisheries to adopt MSC practices. The plan includes barring its suppliers from switching fisheries in the first year to 18 months, giving the suppliers more reason to promote the changes.

"We don't want to walk away from a fishery just because it is in fairly poor shape or poor shape," Redmond said. "We want to try and recover that (non-certified) fishery to where it becomes a sustainable fishery. Our point being that if we just go for sustainable fisheries, it won't be enough at the end of the day unless we recover a lot of these that are in trouble now," he added.

The term fishery refers to a particular species of fish and the fleet that harvests them. Redmond said about 60 percent of the fisheries that Wal-Mart buys from now can be brought up to MSC standards within a year or two, and the remainder may need three to five years to change.

Redmond says the decision to go with sustainable fish came after Lee Scott launched the environmental policy last fall and fits Scott's maxim of "doing well by doing good".

"The environmental piece is a company (policy) plank. Secondly and probably the main reason is, when I look at seafood now and how many dollars it does now and how many dollars it's going to do in four years, I'm extremely concerned that that product is simply not going to be there."


"So we have to take the position that if I want to have hake five or six years from now, we as a company have to get involved and do something because I don't think it'll be there for us otherwise," Redmond said.

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